



# ON AUTO PILOT

DESPITE MARKET UPHEAVALS, THE INDIAN AUTO COMPONENTS INDUSTRY HAS SHOWN GREAT RESILIENCE. IT'S NOW TIME TO REAP THE DIVIDENDS.

BY MITALEE KURDEKAR



"Factors that give us an edge are India's low cost production, together with favourable fiscal standard operating procedures (SOPs) and the boost provided by Make in India."

— Nishit Behera

1. Post policy changes, commercial and passenger vehicles are both seeing rising demand.

**TRACE THE HISTORY OF THE INDIAN** automobile industry and the ancillary industries dependent on it, and one would find that they have been rather slow to take off. Much of this was due to restrictive government policies employed by successive governments during the Licence Raj, for most of the post-independence era. However, gradual liberalisation over the past two-three decades has resulted in newer technologies and better product designs being unveiled in the market. Of course, that in no way means that everything is hunky dory for the industry.

Being highly capital intensive and hungry for technology adaptation, the industry needs to be cautious with its investment decisions, especially given that the effective market demand has been rather erratic

and the policy support from the government has been somewhat unstable. Having said that, during the past few years, the market has begun to mature and the economy has shown encouraging signs of growth. And it may finally be time for the automotive sector to reap the benefits of its hard work and resilience through the tough times.

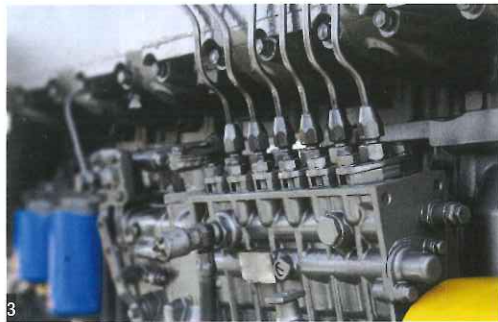
## OUTLOOK FOR COMING YEARS

With the Indian Government's push on multiple fronts by way of policy changes and budget allocations for targeted investment in the infrastructure sector, the industry is indeed looking at sunny days ahead. Initiatives like urbanisation of smaller cities and road connectivity improvements between rural and urban India





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2. With larger multinationals venturing into Indian markets, SKF expects growth in double digit figures.

3. Auto OEMs are constantly looking for quality components, while also focussing on factors like fuel efficiency and low maintenance.

means that the demand for commercial and passenger vehicles are growing manifold. This, along with initiatives of making India a manufacturing hub for global supply under the Make in India programme, means OEMs in both the automotive and auto components industry would be making strong headway in the not so distant future. Industry players too are expressing similar sentiments about growth prospects.

**Nishit Behera, VP, business development & strategy, RSB Transmissions (I)**, says, "Going by vibrancy and intrinsic expertise, our auto component industry, which is currently pegged around \$35 billion, with over \$10 billion coming from exports, is expected to reach \$100 billion in 2020." He goes on to add, "Our auto components are the best match for global standards in quality and delivery. Factors that give us an

edge are India's low cost production, together with favourable fiscal standard operating procedures (SOPs) and the boost provided by Make in India. We are set to become a global export hub for SMEs, which will immensely benefit the auto components sector."

Offering his take on domestic demand, **Ganga Nandan Mishra, VP – automotive business, OE sales, SKF India**, explains, "India is the fastest growing market and has the highest number of young working professionals with higher disposable income. New high performing vehicles with upgraded technologies and safety norms are attracting a large number of buyers." Emphasising the contribution expected from Make in India, he suggests, "With larger multinationals venturing into Indian markets and increased penetration of vehicles in rural areas, the market is all set to grow in double digit figures, in the coming years. The country's growing GDP and the overall state of its economy will drive future growth."

Presenting a customer viewpoint, **B Anil Baliga, EVP, bus body and application manufacturing, VE Commercial Vehicles**, points out, "The Indian auto components industry has revived their manufacturing capabilities to cater to the requirement of foreign OEMs in the recent past, which has helped them to address the technological needs of domestic OEMs (clients). Build-up of technical abilities and



higher budget allocation for R&D are supporting OEMs to lower their dependence on overseas auto-component suppliers."

**COLLABORATIVE PARTNERSHIP**

The fact remains that auto OEMs are constantly looking for quality components, while also focussing on fuel efficiency, adherence to green norms, quality performance, low maintenance and lowest possible cost. In addition, all this needs to be achieved keeping in mind the need for continuous improvement. Collaboration thus becomes the best solution to this problem. Vendors of auto components and automotive OEMs understand this well.

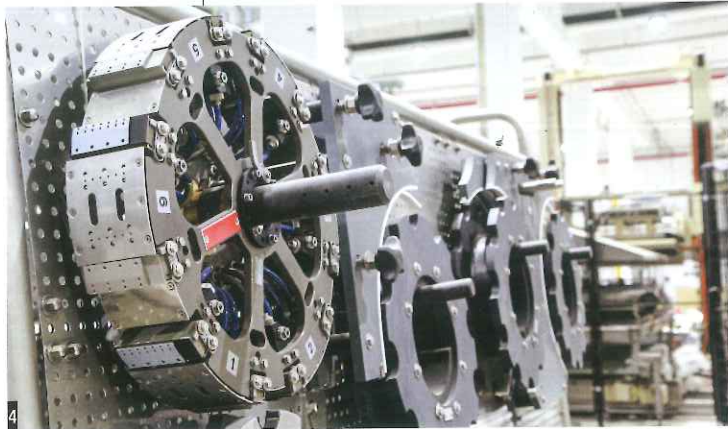
**Abhishek Jain, CEO & MD, PPAP Automotive**, declares, "India is one of the most challenging markets, where there are high expectations of world

class quality and services, but at a competitive cost. PPAP engages with customers right from the project inception stage. Today, one of the prime objectives for customers is to improve fuel efficiency. A key part of achieving this objective is to reduce the weight of the parts and, as a result, bring about an overall reduction in the weight of the car. During our association with the customer, we offer them many light-weighting options that serve as dual purpose solutions. Primarily, it reduces the weight of the car and at the same time offers higher cost competitiveness."

**Vijay Raman, CEO, Autocentric**, agrees that, "Collaboration is now beginning to happen between OEMs and tier-1s in the Indian auto industry. OEMs firmly believe in involving the tier-1s right from the prototype product development stage. The tier-1 is, in the true sense, an expert in its domain and can add lots of value to the OEM in terms of designing

4. Collaborative initiatives can be especially beneficial to OEMs, when they need to come up with new designs or conform to new specifications such as the shift to BS-VI norms.

5. VECV has been developing products in close collaboration with suppliers.



**MOST INDUSTRY PLAYERS ARE QUITE POSITIVE ABOUT THE GOODS & SERVICES TAX (GST) ROLLOUT FROM JULY 1, 2017.**





new products, which not only takes care of the cost and quality of the product, but also plays a major role in the efficiency of the vehicle."

Bajaj Auto views such alliances as a part of their strategic sourcing. Explaining this, **Ravindra Pise, VP, Chakan & Akurdi Plants, Bajaj Auto**, says, "At Bajaj Auto, we have adopted a total productive maintenance (TPM) philosophy for business excellence. Since more than 80% of our supplies come from vendors of the Indian auto components industry, we decided to deploy TPM at our vendor sites as well. To strengthen TPM deployment at vendor end, we have created an additional pillar of Vendor Improvement, along with eight other pillars in the TPM structure, whereby we are supporting these vendors to improve quality, cost and delivery. The focus is on development capability, competency of workforce and management for sustenance of these vendors."

Behera proclaims, "We have an in-house R&D arm through our subsidiary, I-Design Engineering Solutions, which continually innovates to meet the needs of auto OEMs, proactively. We have a dedicated development team that keeps tabs on advancement in technology and has state-of-the-art testing facilities. In fact, suggestions and recommendations often emanate from our end and are sent to OEMs. For example, we offer solutions regarding how best

the quality of their components can be upgraded through changes in design, made by us."

#### CUSTOMER FOCUS

Such collaborative initiatives can be especially beneficial to OEMs, when they need to come up with new designs or conform to new specifications such as the shift to BS-VI norms. As Mishra elaborates, "SKF thinks from the perspective of its customers, and collaborates with manufacturers from the innovation phase till the launch of the products. The increased demand for greener and safer vehicles, with the change of pollution and safety norms, is initiating new adaptations in technology, thus demanding high quality and precise engineering products."

He adds, "SKF's Global Technology Centre India (GTCI) in Bengaluru is led by innovation. It has been instrumental in serving customer needs, in terms of customisation and innovation."

Jain states, "The customers show complete trust in us to give them Print-to-Build solutions. This focus ensures that we offer our customers the latest and best-in-class manufacturing technologies. We are continuously engaging with our customers to learn best practices from them, and are also taking the support of experts to make visible changes in the way we operate."



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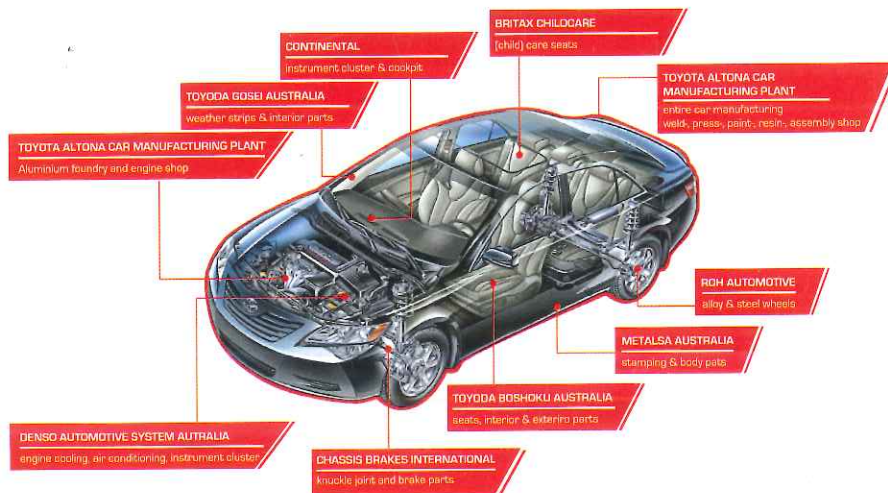


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- Abhishek Jain

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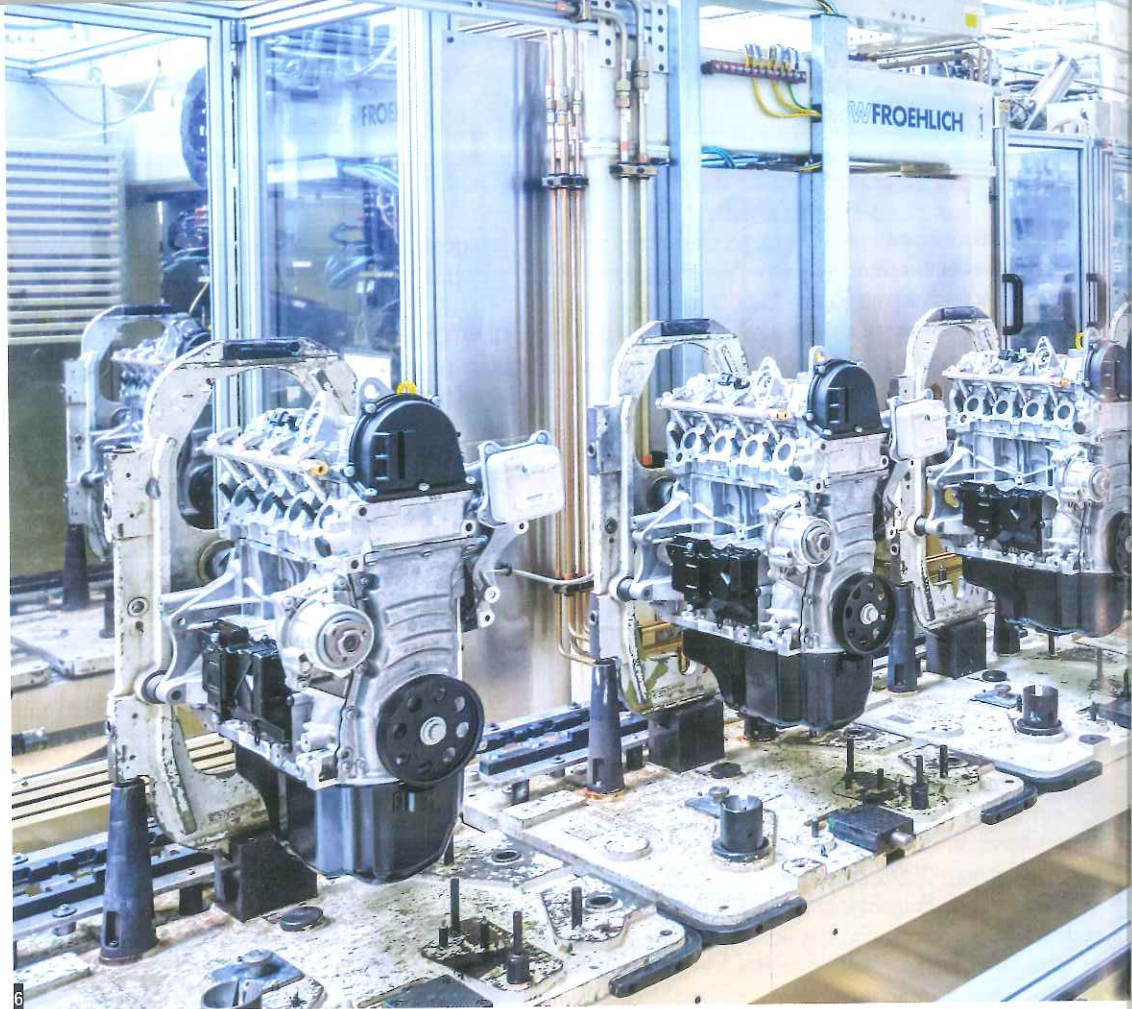
"GST should definitely benefit the entire supply chain of the auto industry."  
— Vijay Raman



"Since more than 80% of our supplies come from vendors of the Indian auto components industry, we decided to deploy TPM at our vendor sites as well."  
— Ravindra Pise

6. Exports' performance has been a saviour, aiding firms to sustain their investment in manufacturing facilities.

7. VECV is providing support to strategic component manufacturer partners for getting better know-how.



VECV too is providing support to strategic component manufacturer partners for getting better know-how and extending in-house testing and validation facilities, says Baliga. "There are various instances in the past two years, where products have been developed in close collaboration with suppliers with exclusivity rights on that product. The Indian component industry is driving aggressively on all fronts when it comes to quality, cost, delivery and serviceability. The satisfaction level is good from suppliers having global exposure either through joint ventures or supplying to global OEMs," he declares.

#### EXPORTS AS DEMAND MODERATORS

As mentioned earlier, the automotive and auto components industry has always experienced demand upheavals, which significantly impacted the growth

of industry players. In such circumstances, it was exports that helped manufacturers to level demand. In fact, their exports' performance was a saviour, aiding firms to sustain their investment in manufacturing facilities. Now that global players have set foot on Indian soil, these efforts are being further supported.

Mishra announces, "SKF India's business operations are widely spread across many segments. The slowdown in any particular industry impacts the business, but the width and reach to multiple industry segments keeps our business going. We export around 8-9% of our products to nearby Asian markets on a regular basis."

RSB also believes in the effect of demand moderation. Behera points out, "We have a built-in cushion to take on the volatile swing in exports, by balancing the market within vis-à-vis overseas. Further, our facilities have the flexibility to change over to different product lines. Our business development team keeps a continual tab on market intelligence and moderates the activity to ensure that our plants are utilised to their optimum at any point of time."

On the other hand, almost 10% of PPAP's products are CKD exports, carried out by their customers to some of the most discerning markets in the world like Japan, UK, USA, South Africa and Brazil. Jain adds, "The real value that PPAP sees in the export market is that we get to understand the requirements of international customers, and we are able





to upgrade our products and services in line with the global requirements."

#### GOVERNMENT POLICIES AND EXPECTATIONS

Most industry players are quite positive about the Goods & Services Tax (GST) rollout from July 1, 2017. As Mishra summed up, "GST will be a big game changer. At SKF, we have brought down our 14 stock locations to just four, keeping GST in mind. With this, we will improve our service levels and serve customers faster. I think it is just amazing what GST is going to do."

Raman agrees, "GST should definitely benefit the entire supply chain of the auto industry. It gives us the freedom to source from any part of India, and not worry about CST or unnecessarily opening up warehouses all around the country."

However, he argues that something needs to be done for the technological advancement and development of tier-2 suppliers of auto components. The task is not easy and he calls for more Government support to MSMEs within this industry.

India is certainly headed in the right direction, in her quest to become an automotive manufacturing hub. Even though the country may have had a long and arduous journey to this point, she is now seeing the benefits of all that work. That being said, there is no time for complacency. Given that the world market is welcoming new-age vehicles including electric, electronic and hybrid ones, India has to keep up with R&D and innovation to match global requirements. It is time to capitalise on the momentum gained. And there must be no stops on the journey ahead. ■

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